

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name OTTAWA COUNTY PUBLIC UTILITIES SYSTEM	County OTTAWA
Audit Date 12/31/04	Opinion Date 5/4/05	Date Accountant Report Submitted to State: 6/28/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

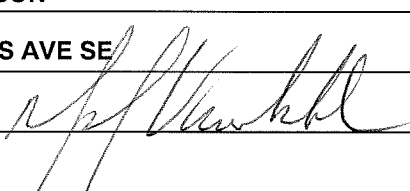
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) REHMANN ROBSON			
Street Address 2330 EAST PARIS AVE SE		City GRAND RAPIDS	State MI
Accountant Signature 		ZIP 49546	Date 6/28/05

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM
(a Component Unit of Ottawa County)

GRAND HAVEN, MICHIGAN

FINANCIAL STATEMENTS

For The Year Ended December 31, 2004

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM
(a Component Unit of Ottawa County)

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OTTAWA COUNTY PUBLIC UTILITIES SYSTEM
(a Component Unit of Ottawa County)

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REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

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INDEPENDENT AUDITORS' REPORT

May 4, 2005

Members of the Board of County Road Commissioners
County of Ottawa, Michigan
Grand Haven, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the **OTTAWA COUNTY PUBLIC UTILITIES SYSTEM** (the "System"), a component unit of Ottawa County, Michigan, as of and for the year ended December 31, 2004, which collectively comprise the System's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the **Ottawa County Public Utilities System's** management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller general of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

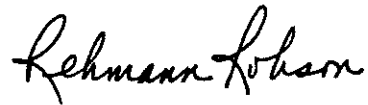
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the **Ottawa County Public Utilities System** as of December 31, 2004, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 4, 2005 on our consideration of **Ottawa County Public Utilities System's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 3-7 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The **Ottawa County Public Utilities System** has not presented budget to actual statements for the general fund and major special revenue funds that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **Ottawa County Public Utilities System's** basic financial statements. The combining nonmajor fund financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Lohman". The signature is written in a cursive style with a large, stylized 'L' at the beginning.

Management's Discussion and Analysis

As management of the Ottawa County Public Utilities System (the "System"), we offer readers of the Ottawa County Public Utilities System financial statements, this narrative overview and analysis of the financial activities of this Component Unit of Ottawa County, Michigan, for the fiscal year ended December 31, 2004. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

Financial Statement Content:

The system provides water and sewer system infrastructure operations, design and construction management services to local units of government. Financing is typically provided through bonds issued utilizing the credit of both the participating local units and Ottawa County. Agreements between the local units transfer ownership of the constructed systems to the local units upon full payment of related debt service.

1. Financial Statement Presentation

The Governmental Accounting Standards Board (GASB) is charged with developing "generally accepted accounting principles" (GAAP) for governmental entities and is the ultimate authority on GAAP for state and local governments. The financial statements enclosed and their accompanying notes are prepared under these directions.

2. The Ottawa County Public Utilities System sold three new bond issues in 2004: Crockery Township Water System for \$1,275,000, Zeeland Township Water System for \$3,040,000, and Jamestown Township Sewage System for \$1,785,000.
3. Total local water and sewer operations accounted for through the System paid in excess of \$14,000,000 for water and sewer services and over \$10,000,000 for debt service.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the System's basic financial statements. The System's basic financial statements comprise three components:

1. government-wide financial statements,
2. fund financial statements, and
3. notes to the financial statements.

This report also contains other supplementary information (combining nonmajor fund statements) in addition to the basic financial statements.

The government-wide financial statements of Ottawa County are not presented herein because the System is a component unit of the County. The County presents their financial statements elsewhere and in a manner partially resembling private-sector business in its government-wide financial statements in compliance with GASB Statement No. 34.

Government-wide Financial Statements

The *statement of net assets* presents information on all of the System's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the System is improving or deteriorating.

The *statement of activities* presents information showing how the System's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in past or future fiscal periods.

Both of the government-wide financial statements distinguish the various functions of the System that are supported by intergovernmental revenues (*governmental activities*). The governmental activities of the System include water and sewer operations, capital projects and debt service.

The government-wide financial statements include only the System itself (known as the *primary government*). The System has no legally separate component units for which the System is financially accountable. In this report, financial information for the System is reported separately from the financial information presented for Ottawa County, which reports the System as a component unit.

The government-wide financial statements can be found on pages 8 and 9 of this report.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The System, like other units of state and local government, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The activity of the System is accounted for in governmental funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The System maintains numerous governmental funds. Information is presented in the Balance Sheet- Governmental Funds (page 10) and Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (page 12) for the major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The System has not adopted budgets for the general or special revenue, funds by means of an appropriations act.

The governmental fund financial statements can be found on pages 10 through 13 of this report.

The System does not maintain proprietary nor fiduciary funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 14 through 21 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This is limited to this management's discussion and analysis.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes on pages 22 through 33 of this report.

Government-wide Financial Analysis:

Ottawa County Public Utilities System Net Assets

	Governmental Activities	
Assets	2004	2003
Cash and temporary investments	\$9,262,028	\$5,421,052
Accounts receivable	1,513,813	2,041,059
Capital leases receivable from other governments	<u>69,672,310</u>	<u>72,161,269</u>
Total assets	<u>80,448,151</u>	<u>79,623,380</u>
Liabilities		
Accounts payable and accrued expenses	4,332,330	1,948,289
Deferred revenue	12,190	12,190
Due to other governments	453,461	510,468
Accrued interest	613,258	647,903
Long-term liabilities		
Bond issuance costs and discount	(659,378)	(585,526)
Due within one year	6,497,000	7,267,000
Due in more than one year	<u>68,127,536</u>	<u>68,759,536</u>
Total liabilities	<u>79,376,397</u>	<u>78,559,860</u>

		Governmental Activities
Net Assets	<u>2004</u>	<u>2003</u>
Restricted for:		
Debt service	659,378	585,526
Future projects	362,338	428,134
Unrestricted	<u>50,038</u>	<u>49,860</u>
Total net assets	<u>\$ 1,071,754</u>	<u>\$1,063,520</u>

Ottawa County Public Utilities System Changes in Net Assets

		Governmental Activities
Revenue	<u>2004</u>	<u>2003</u>
Program revenue		
Charges for services	\$14,747,541	\$14,611,340
General revenue		
Interest income	13,475	11,213
Miscellaneous	<u>883,000</u>	<u>992,396</u>
Total revenue	<u>15,644,016</u>	<u>15,614,949</u>
Expenses		
Operations		
Salaries and wages	592,934	570,115
Operating supplies and expenses	191,504	234,049
Contractual services	600,003	402,786
Water purchases	6,096,646	6,331,336
Sewage treatment charges	3,930,756	4,184,601
Miscellaneous	918,865	212,354
Debt service		
Interest	<u>3,305,074</u>	<u>3,454,966</u>
Total expenses	<u>15,635,782</u>	<u>15,390,207</u>
Increase (decrease) in net assets	8,234	224,742
Net assets – beginning of year	<u>1,063,520</u>	<u>838,778</u>
Net assets – end of year	<u>\$ 1,071,754</u>	<u>\$1,063,520</u>

Financial Analysis of the Governmental Funds

As of the end of the current fiscal year the combined fund balance of \$5,977,860 reflects an increase of \$986,696 from the previous year. The increase was due in large part to the bonds issued for the projects, which are underway.

Long-Term Debt
Ottawa County Public Utilities System Outstanding Debt

	<u>2004</u>	<u>Governmental Activities</u>	<u>2003</u>
Annual outstanding bond requirements			
Due within one year	\$ 6,497,000		\$ 7,267,000
Due in more than one year	<u>68,127,536</u>		<u>68,759,536</u>
Total Requirements	<u>\$74,624,536</u>		<u>\$76,026,536</u>

Additional information on the Public Utilities System's long-term debt can be found in Note 3 on pages 17 through 20 of this report.

Economic Factors and Next Year's Budgets and Rates

Budgets have not been adopted for the 2005 year.

Requests for Information

This financial report is designed to provide a general overview of the System's finances for all those with an interest in the component unit's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, Ottawa County Road Commission, P.O. Box 739, Grand Haven, MI 49417.

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM
(a Component Unit of Ottawa County)

STATEMENT OF NET ASSETS

DECEMBER 31, 2004

	Governmental Activities
Assets	
Cash and temporary investments	\$ 9,262,028
Accounts receivable	1,513,813
Capital leases receivable from other governments	69,672,310
Total assets	80,448,151
Liabilities	
Accounts payable and accrued expenses	4,332,330
Unearned revenue	12,190
Accounts payable - other component unit	222,281
Accounts payable - Ottawa County	231,180
Accrued interest	613,258
Long-term liabilities	
Bond issuance costs and discount	(659,378)
Due within one year	6,497,000
Due in more than one year	68,127,536
Total liabilities	79,376,397
Net Assets	
Restricted for	
Debt service	659,378
Future Projects	362,338
Unrestricted	50,038
Total net assets	\$ 1,071,754

The accompanying notes are an integral part of these financial statements.

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM
(a Component Unit of Ottawa County)

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2004

	Governmental Activities
Expenses	
Operations	
Salaries and wages	\$ 592,934
Operating supplies and expenses	191,504
Contractual services	600,003
Water purchases	6,096,646
Sewage treatment charges	3,930,756
Miscellaneous	918,865
Debt service	
Interest	<u>3,305,074</u>
Total expenses	15,635,782
Program revenues	
Charges for services	<u>14,747,541</u>
Net program expense	<u>(888,241)</u>
General revenues	
Interest income	13,475
Miscellaneous	<u>883,000</u>
Total general revenues	<u>896,475</u>
Change in net assets	8,234
Net assets, beginning of year	<u>1,063,520</u>
Net assets, end of year	<u><u>\$ 1,071,754</u></u>

The accompanying notes are an integral part of these financial statements.

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM
(a Component Unit of Ottawa County)

BALANCE SHEET
GOVERNMENTAL FUNDS

DECEMBER 31, 2004

	General Fund	Special Revenue Fund Wyoming Water Supply System
<u>ASSETS</u>		
Cash and temporary investments	\$ 92,085	\$ 159,657
Accounts receivable	13,783	413,021
Due from other funds	166,865	-
Due from local governments	-	-
TOTAL ASSETS	\$ 272,733	\$ 572,678
<u>LIABILITIES AND FUND BALANCES</u>		
LIABILITIES		
Accounts payable	\$ 414	\$ 559,859
Deferred revenue	-	-
Due to other funds	-	-
Due to component units	222,281	-
Due to primary government	-	-
TOTAL LIABILITIES	222,695	559,859
FUND BALANCES		
Reserved for debt service	-	-
Reserved for capital projects	-	-
Unreserved	50,038	12,819
Unreserved, reported in nonmajor Special revenue funds	-	-
TOTAL FUND BALANCES	50,038	12,819
TOTAL LIABILITIES AND FUND BALANCES	\$ 272,733	\$ 572,678

The accompanying notes are an integral part of these financial statements.

Debt Service
Funds

Wyoming Water Supply System	Northwest Ottawa System	Holland Area System	Zeeland Township Water System	Other Governmental Funds	Total Governmental Funds
\$ 1,817,272	\$ 47,289	\$ 21,761	\$ -	\$ 7,123,964	\$ 9,262,028
2,604	-	-	975	1,083,430	1,513,813
-	-	-	-	-	166,865
11,910,708	13,940,992	15,011,835	8,235,600	19,959,917	69,059,052
\$ 13,730,584	\$ 13,988,281	\$ 15,033,596	\$ 8,236,575	\$ 28,167,311	\$ 80,001,758

\$ 863,103	\$ 1,000	\$ -	\$ -	\$ 2,907,954	\$ 4,332,330
11,910,708	13,940,992	15,011,835	8,235,600	19,972,107	69,071,242
-	-	-	475	166,390	166,865
-	-	-	-	-	222,281
-	-	-	-	231,180	231,180
12,773,811	13,941,992	15,011,835	8,236,075	23,277,631	74,023,898

956,773	46,289	21,761	500	27,360	1,052,683
-	-	-	-	4,512,801	4,512,801
-	-	-	-	-	62,857
-	-	-	-	349,519	349,519
956,773	46,289	21,761	500	4,889,680	5,977,860
\$ 13,730,584	\$ 13,988,281	\$ 15,033,596	\$ 8,236,575	\$ 28,167,311	\$ 80,001,758

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM
(a Component Unit of Ottawa County)

**RECONCILIATION OF FUND BALANCE ON THE BALANCE
SHEET OF GOVERNMENTAL FUNDS TO NET ASSETS
ON THE STATEMENT OF NET ASSETS**

DECEMBER 31, 2004

Fund balances - total governmental funds	\$ 5,977,860
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Amounts reported for *governmental activities* in the statement of net assets
are different because:

Certain assets of the governmental funds are recorded when the related revenue is susceptible
to accrual while these assets are recorded on the statement of net assets when the related
revenue is earned regardless of the actual date of receipt.

Add - accrued income receivable from local governments which is equal to accrued interest on capital leases	613,258
Add - deferred revenue associated with capital leases receivable from other governments	69,059,052

Certain liabilities, such as bonds payable, are not due and payable in the
current period and therefore are not reported as a liability in the fund statements.

Deduct - bonds payable	(74,624,536)
Add - unamortized bond issuance costs and discounts	659,378
Deduct - accrued interest on bonds payable	(613,258)

Net assets of governmental activities	<u><u>\$ 1,071,754</u></u>
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The accompanying notes are an integral part of these financial statements.

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM
(a Component Unit of Ottawa County)

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCES
GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED DECEMBER 31, 2004

	General Fund	Special Revenue Fund Wyoming Water Supply System
REVENUES		
Intragovernmental revenue	\$ 142,118	\$ 2,961,596
Charges for services	278,645	2,589
Interest earned	13,475	-
Miscellaneous	16,391	-
TOTAL REVENUES	450,629	2,964,185
EXPENDITURES		
Operations		
Salaries and wages	332,499	-
Operating supplies and expenses	883	-
Contractual services	15,300	2,040
Water purchases	-	2,961,596
Sewage treatment charges	-	-
Miscellaneous	52,087	2,488
Project costs	-	-
Debt service		
Principal	-	-
Interest	-	-
TOTAL EXPENDITURES	400,769	2,966,124
REVENUES OVER (UNDER) EXPENDITURES	49,860	(1,939)
OTHER FINANCING SOURCES (USES)		
Proceeds from issuance of bonds	-	-
Transfer out	-	-
Transfer in	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-
NET CHANGE IN FUND BALANCES	49,860	(1,939)
FUND BALANCES, BEGINNING OF YEAR	178	14,758
FUND BALANCES, END OF YEAR	\$ 50,038	\$ 12,819

The accompanying notes are an integral part of these financial statements.

Debt Service Funds					
Wyoming Water Supply System	Northwest Ottawa System	Holland Area System	Zeeland Township Water System	Other Governmental Funds	Total Governmental Funds
\$ 1,683,388	\$ 3,069,517	\$ 2,817,970	\$ 978,002	\$ 2,723,105	\$ 14,375,696
-	-	-	-	7,273,100	7,554,334
20,253	11,533	-	-	51,618	96,879
-	-	-	-	866,609	883,000
1,703,641	3,081,050	2,817,970	978,002	10,914,432	22,909,909
-	-	-	-	261,040	593,539
-	-	-	-	190,016	190,899
-	-	-	-	582,615	599,955
-	-	-	-	3,135,050	6,096,646
-	-	-	-	3,930,756	3,930,756
863,103	-	-	-	134,988	1,052,666
-	-	-	-	4,776,934	4,776,934
1,140,000	2,445,000	2,045,000	585,000	1,287,000	7,502,000
559,189	645,167	772,345	392,852	910,265	3,279,818
2,562,292	3,090,167	2,817,345	977,852	15,208,664	28,023,213
(858,651)	(9,117)	625	150	(4,294,232)	(5,113,304)
-	-	-	-	6,100,000	6,100,000
-	-	-	-	(25,067)	(25,067)
-	-	-	-	25,067	25,067
-	-	-	-	6,100,000	6,100,000
(858,651)	(9,117)	625	150	1,805,768	986,696
1,815,424	55,406	21,136	350	3,083,912	4,991,164
\$ 956,773	\$ 46,289	\$ 21,761	\$ 500	\$ 4,889,680	\$ 5,977,860

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM
(a Component Unit of Ottawa County)

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE TO THE
STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED DECEMBER 31, 2004

Net change in fund balances - total governmental funds	\$ 986,696
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Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is transferred to the local unit of government in exchange for a promise to service the debt which financed construction of the asset (treated as a capital lease transaction).

Add - increase in capital leases receivable (project costs)	4,776,934
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Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add - principal payments on long-term liabilities	7,502,000
Add - additions to unamortized bond costs	133,753
Deduct - bond proceeds	(6,100,000)
Deduct - amortization of bond issuance costs	(59,901)
Deduct - Contract payments received from local governments	(7,231,248)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Add - decrease in accrued interest payable on bonds	34,645
Deduct - decrease in receivable from local units for interest on capital leases	(34,645)

Change in net assets of governmental activities	<u>\$ 8,234</u>
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The accompanying notes are an integral part of these financial statements.

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Ottawa County Public Utilities System (the “System”) conforms to generally accepted accounting principles as applied to governmental units. The following is a summary of the significant policies.

Reporting Entity

The Ottawa County Public Utilities System is a discrete component unit of Ottawa County, Michigan and was organized in 1964 under Act 342 of the Public Acts of Michigan of 1939 to provide water supply and sewage disposal improvements and services to local municipalities within the County.

The Ottawa County Public Utilities System is considered a component unit of the County of Ottawa because the County has accountability for fiscal matters. The System is included in the County’s basic financial statements as a discrete component unit.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the governmental fund activities of the primary government (the Ottawa County Public Utilities System). For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* are supported by intergovernmental revenues and fees. The System does not utilize proprietary or fiduciary funds.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Charges for services are recognized as revenues in the year for which they are earned. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 180 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due. When restricted and unrestricted funds are available for disbursement, restricted funds are utilized first to pay applicable expenses.

Intergovernmental charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Wyoming Water Supply System Special Revenue Fund accounts for the purchase of water from the City of Wyoming and related wholesale sales of this water to participating governments.

The Wyoming Water Supply System, Northwest Ottawa System, Holland Area System, and Zeeland Township Water System Debt Service Funds account for the payment of both principal and interest on debt issued for the construction of water and sewer systems as well as the receipt of payments for debt service. (The assets constructed by the system are transferred to local governments in exchange for a promise to make debt service payments. This transaction is accounted for as a capital lease).

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Cash and Temporary Investments

Cash and temporary investments consist primarily of demand deposits and mutual funds and are carried at fair value.

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting

The system has not adopted budgets at the fund or detail level for the current year.

Deferred Revenue

The System reports deferred revenue when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenue represents amounts due from local governments in future periods as well as advanced payments.

Receivables

All receivables are recorded at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible in the future. There is no allowance for uncollectible amounts at year end.

2. CASH AND TEMPORARY INVESTMENTS

Deposits of the System are carried at fair value and are held in the name of the Ottawa County Treasurer.

Statutes authorize the System to invest funds in the following:

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution
- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase
- Bankers acceptances of United States banks
- Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service
- Mutual funds registered under the investment company act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation
- External investment pools as authorized by Public Act 20 as amended through 12/31/97

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM

NOTES TO FINANCIAL STATEMENTS

2. CASH AND TEMPORARY INVESTMENTS (CONTINUED)

All cash and temporary investments are deposited with financial institutions at December 31, 2004 and may be partially covered by Federal depository insurance. The amount of Federal depository insurance is determinable for the County as a whole, but cannot be separately identified for the System.

Temporary investments of the System in mutual funds which hold U.S. Treasury Notes and Bonds at year end are uncategorized as to risk. The market value of the mutual funds are equal to their carrying value.

Cash and temporary investments of the System at December 31, 2004 consisted of the following:

Checking and savings accounts	\$ 454,334
Mutual funds	8,807,694
	<u>\$9,262,028</u>

3. BONDS PAYABLE

The bonds payable are general obligation bonds of the County of Ottawa which were issued pursuant to agreements entered into with various local municipalities of the County. Under the terms of the agreements, the local municipalities have pledged their full faith and credit to pay to the System each year, amounts sufficient to make principal and interest payments. The amounts due from local municipalities is represented as "capital leases receivable from other governments" in the financial statements.

Bonds payable and interest requirements at December 31, 2004 consist of the following:

	January 1, 2004	Additions	(Reductions)	December 31, 2004	Due in One Year
Grand Valley Water and Sewer Systems:					
3.6% to 4.3% Ottawa County Refunding Bonds, Allendale Township, 1998	\$ 70,000	\$ -	\$ (70,000)	\$ -	\$ -
2.25% Ottawa County, Sewage Disposal Bonds, Allendale	3,964,446	-	(210,000)	3,754,446	215,000
2.50% Ottawa County Water Supply Extensions and Improvements, 2000	1,587,090	-	(75,000)	1,512,090	75,000
	<u>5,621,536</u>	<u>-</u>	<u>(355,000)</u>	<u>5,266,536</u>	<u>290,000</u>
Wyoming Water Supply System:					
2.0% to 4.0% Ottawa County 2002 Refunding Bonds, Ottawa County Water Supply System, Second Refunding	5,045,000	-	(970,000)	4,075,000	985,000
4.8% to 6.75% Ottawa County Supply System Series 1995	2,790,000	-	(170,000)	2,620,000	175,000
3.0% to 4.8% Ottawa County Supply System Series 2002	6,500,000	-	-	6,500,000	-
	<u>14,335,000</u>	<u>-</u>	<u>(1,140,000)</u>	<u>13,195,000</u>	<u>1,160,000</u>
Northwest Ottawa System:					
6.8% to 7.6% Ottawa County Refunding Bonds, City of Ferrysburg Distribution System, 1989	165,000	-	(10,000)	155,000	15,000
2.80% to 4.55%, Spring Lake Township 1976, 1989 Refunding, Second Refunding	675,000	-	(55,000)	620,000	60,000
2.0% to 4.0% Ottawa County 2002 Refunding Bonds, Series A, Ottawa County Water Treatment System, Third Refunding	3,670,000	-	(595,000)	3,075,000	610,000

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM

NOTES TO FINANCIAL STATEMENTS

3. BONDS PAYABLE (CONTINUED)

	January 1, 2004	Additions	(Reductions)	December 31, 2004	Due in One Year
Northwest Ottawa System (Continued):					
2.0% to 4.0% Ottawa County 2002 Refunding Bonds, Series B, Northwest Ottawa Water Treatment System, Second Refunding	\$ 2,660,000	\$ -	\$ (340,000)	\$ 2,320,000	\$ 355,000
4.625% to 5.20%, NOW Water Intake #2, 2001	2,845,000	-	(60,000)	2,785,000	70,000
3.3% to 5.0% Ottawa County Refunding Bonds, Spring Lake Township Disposal System, Second Refunding	375,000	-	(375,000)	-	-
3.8% to 5.875% Ottawa County Refunding Bonds, Northwest Distribution System, 1995 Series	1,325,000	-	(105,000)	1,220,000	110,000
3.6% to 4.7% Ottawa County Refunding Bonds, Northwest Water, 1998	3,125,000	-	(325,000)	2,800,000	360,000
3.6% to 4.3% Ottawa County Refunding Bonds, Ferrysburg, 1998	220,000	-	(220,000)	-	-
3.6% to 4.6% Ottawa County Refunding Bonds, Wastewater Treatment Plant Improvements (series A)	470,000	-	(70,000)	400,000	75,000
3.6% to 4.6% Ottawa County Refunding Bonds, Wastewater Treatment Plant Improvements (series B)	260,000	-	(260,000)	-	-
4.70% to 5.05% Ottawa County Wastewater Collection System Bonds, Spring Lake Township Extension Project, 1999	795,000	-	(30,000)	765,000	35,000
	<u>16,585,000</u>	<u>-</u>	<u>(2,445,000)</u>	<u>14,140,000</u>	<u>1,690,000</u>
Grand Haven Township Water System:					
5.0% Grand Haven Township System Bonds of 1978	1,845,000	-	(120,000)	1,725,000	125,000
4.25% to 6.25% Ottawa County Water Supply Bonds, Grand Haven Township 1993 Extensions	285,000	-	(75,000)	235,000	75,000
4.125% to 6.125% Ottawa County Water Supply and Wastewater Bonds, Grand Haven Township 1993 Extension	585,000	-	(85,000)	500,000	90,000
5.1% to 7.0% Ottawa County Wastewater Collection Bonds, 1996 Extension	865,000	-	(45,000)	820,000	45,000
3.75% to 4.3% Ottawa County Refunding Bonds, Grand Haven Township, 1998	560,000	-	(50,000)	485,000	55,000
5.15% to 5.25% Ottawa County Water Supply Bonds, Grand Haven Township Water Transmission, 1999	2,885,000	-	(85,000)	2,800,000	95,000
	<u>7,025,000</u>	<u>-</u>	<u>(460,000)</u>	<u>6,565,000</u>	<u>485,000</u>
Holland Area System:					
2.80% to 4.45%, Holland Township, 1991 Extensions, Refunded July 10, 2001	930,000	-	(95,000)	835,000	100,000
2.80% to 4.75%, Holland Area WWTP, 1994 Improvements, Refunded July 10, 2001	8,705,000	-	(625,000)	8,080,000	650,000
3.7% to 5.15% Ottawa County Water Supply and Refunding Holland Township, 1998	5,420,000	-	(1,060,000)	4,360,000	805,000

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM

NOTES TO FINANCIAL STATEMENTS

3. BONDS PAYABLE (CONTINUED)

	January 1, 2004	Additions	(Reductions)	December 31, 2004	Due in One Year
Holland Area System (Continued):					
3.8% to 4.5% Ottawa County Refunding Bonds of 1997	\$ 2,150,000	\$ -	\$ (265,000)	\$ 1,885,000	\$ 280,000
	<u>17,205,000</u>	<u>-</u>	<u>(2,045,000)</u>	<u>15,160,000</u>	<u>1,835,000</u>
Olive-Blendon Water System:					
5.0% Olive-Blendon System Bonds of 1978	<u>490,000</u>	<u>-</u>	<u>(20,000)</u>	<u>470,000</u>	<u>20,000</u>
Coopersville Water Supply System:					
5.0% City of Coopersville System Bonds of 1978	<u>780,000</u>	<u>-</u>	<u>(30,000)</u>	<u>750,000</u>	<u>30,000</u>
Crockery Township Water System:					
3.8% to 5.25% Ottawa County Water Supply Bonds of 1997	215,000	-	(10,000)	205,000	10,000
3.8% to 4.7% Ottawa County Refunding Bonds of 1997	325,000	-	(75,000)	250,000	80,000
2.0% to 4.375% Ottawa County Sewage Disposal Bonds of 2004	<u>-</u>	<u>1,275,000</u>	<u>-</u>	<u>1,275,000</u>	<u>-</u>
	<u>540,000</u>	<u>1,275,000</u>	<u>(85,000)</u>	<u>1,730,000</u>	<u>90,000</u>
Zeeland Township Water System:					
2.0% Ottawa County Waste Water Collection Bonds Zeeland Township Extension No.2, 1991	795,000	-	(110,000)	685,000	110,000
5.1% to 7.1% Ottawa County Water Supply and Waste Water Disposal Bonds, Zeeland Township 1994 Improvements	350,000	-	(40,000)	310,000	45,000
3.75% to 4.35% Ottawa County Sewage Disposal Refunding Bonds, Zeeland Township Extensions Project #1	405,000	-	(85,000)	320,000	85,000
5.55% to 5.70% Ottawa County Water Supply Bonds, Zeeland Township Extension Project, 1999	5,320,000	-	(110,000)	5,210,000	120,000
2.0% to 5.0% Ottawa County Sewer Improvement Bonds, Zeeland Township Extension Project, 2004	<u>-</u>	<u>3,040,000</u>	<u>(240,000)</u>	<u>2,800,000</u>	<u>115,000</u>
	<u>6,870,000</u>	<u>3,040,000</u>	<u>(585,000)</u>	<u>9,325,000</u>	<u>475,000</u>
Jamestown Township Sewage System:					
5.50% to 7.0% Ottawa County Supply Bonds of 1996	805,000	-	(20,000)	785,000	20,000
4.25% to 4.35% Ottawa County Sewage Disposal Bonds, Jamestown Township 22 nd Ave. Trunk, 1999	1,325,000	-	(140,000)	1,185,000	145,000
5.20% to 5.80% Ottawa County Disposal and Water Supply Bonds Jamestown Township, 2000	960,000	-	(30,000)	930,000	30,000

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM

NOTES TO FINANCIAL STATEMENTS

3. BONDS PAYABLE (CONTINUED)

	January 1, 2004	Additions	(Reductions)	December 31, 2004	Due in One Year
Jamestown Township System (Continued):					
2.50% to 5.00% Ottawa County Sewage Disposal and Water Supply Bonds Jamestown Township, 2004	\$ -	\$ 1,785,000	\$ -	\$ 1,785,000	\$ 70,000
	<u>3,090,000</u>	<u>1,785,000</u>	<u>(190,000)</u>	<u>4,685,000</u>	<u>265,000</u>
Polkton Township System:					
2.5% Ottawa County Sewage Disposal System Bonds, (Polkton Township)	<u>320,000</u>	<u>-</u>	<u>(20,000)</u>	<u>300,000</u>	<u>20,000</u>
West Central Ottawa System:					
5.0% to 7.0% Ottawa County Water Supply and Sewage Disposal System Bonds	585,000	-	(45,000)	540,000	45,000
2.5% to 4.55% West Central Ottawa Wastewater Treatment Plant 2002 Expansion	<u>770,000</u>	<u>-</u>	<u>(40,000)</u>	<u>730,000</u>	<u>45,000</u>
	<u>1,355,000</u>	<u>-</u>	<u>(85,000)</u>	<u>1,270,000</u>	<u>90,000</u>
Port Sheldon Sewage System					
3.0% to 5.0% Port Sheldon Township 2002 Sewer Improvements	<u>1,135,000</u>	<u>-</u>	<u>(35,000)</u>	<u>1,100,000</u>	<u>40,000</u>
Chester Township Sewage System					
5.125% Ottawa County Sewage Disposal Bond of 1996	<u>675,000</u>	<u>-</u>	<u>(7,000)</u>	<u>668,000</u>	<u>7,000</u>
	<u>\$ 76,026,536</u>	<u>\$ 6,100,000</u>	<u>\$ (7,502,000)</u>	<u>\$ 74,624,536</u>	<u>\$ 6,497,000</u>

The annual requirements to amortize the outstanding bonds as of December 31, 2004 are as follows:

	Principal	Interest
2005	\$ 6,497,000	\$ 3,142,901
2006	7,267,000	2,904,305
2007	6,562,000	2,631,333
2008	6,982,000	2,381,824
2009	5,628,000	2,099,331
2010-2014	21,351,000	7,391,453
2015-2019	14,510,446	3,273,200
2020-2024	5,472,090	647,219
2025-2029	150,000	71,750
2030-2034	170,000	31,264
2035-2039	<u>35,000</u>	<u>897</u>
	<u>\$74,624,536</u>	<u>\$24,575,477</u>

4. RISK MANAGEMENT

Ottawa County Public Utilities System is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees and natural disasters. In order to minimize its exposure to these risks, Ottawa County Public Utility System participates in the Michigan County Road Commission Self Insurance Pool. Settled claims relating to participation in Michigan County Road Commission Self Insurance Pool have not exceeded the amount of insurance coverage in any of the past three fiscal years.

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM

NOTES TO FINANCIAL STATEMENTS

5. RELATED PARTY TRANSACTIONS

The System incurred expenses of approximately \$496,000 for services and labor provided by the Ottawa County Road Commission which also provides fiscal and managerial services to the System. At year end the System owed the Ottawa County Road Commission \$222,281 for these goods and services.

6. INTERFUND TRANSACTIONS

Due to/from other funds at December 31, 2004 were to meet temporary cash needs and are as follows:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$166,865	\$ -
Debt Service Funds		
Zeeland Township Water System	-	475
Special Revenue Funds		
Olive Township System	-	1,223
Rush Creek Sewage Disposal System	-	9,030
Park Township Water System	-	12,715
Northwest Ottawa System	-	13,536
Grand Haven Township Water System	-	3,679
Coopersville Water Supply System	-	24,176
Port Sheldon Township Water System	-	1,198
Crockery Township Water System	-	22,020
Jamestown Township Sewage System	-	33,005
Polkton Township Water System	-	4,467
Robinson Township Water System	-	1,566
South West Ottawa County Landfill	-	39,775
	<u>\$166,865</u>	<u>\$166,865</u>

There was one transfer of \$25,067 from the Olive Township Sewage System Capital Projects Fund to the West Central Ottawa System Debt Service Fund to fund debt service payments during the year.

7. COMMITMENTS

At December 31, 2004, the Ottawa County Public Utilities System had commitments related to various construction projects totaling approximately \$572,000. These commitments are being funded from bond proceeds issue in prior years.

8. LITIGATION/CONTINGENT LIABILITY

In the normal course of its activities, the Ottawa County Public Utility System has become a party in various legal actions. Management of the System is of the opinion that the outcome of such actions will not have a material effect on the financial position of the System and, therefore, has not reflected loss reserves in the financial statements.

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OTTAWA COUNTY PUBLIC UTILITIES SYSTEM
(a Component Unit of Ottawa County)

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

DECEMBER 31, 2004

	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUNDS	TOTAL
<u>ASSETS</u>				
Cash and temporary investments	\$ 796,476	\$ 117,319	\$ 6,210,169	\$ 7,123,964
Accounts receivable	928,131	1,346	153,953	1,083,430
Due from local governments	-	19,959,917	-	19,959,917
TOTAL ASSETS	\$ 1,724,607	\$ 20,078,582	\$ 6,364,122	\$ 28,167,311
<u>LIABILITIES AND FUND BALANCES</u>				
LIABILITIES				
Accounts payable	\$ 1,208,698	\$ -	\$ 1,699,256	\$ 2,907,954
Deferred revenue	-	19,970,042	2,065	19,972,107
Due to other funds	166,390	-	-	166,390
Due to primary government	-	81,180	150,000	231,180
TOTAL LIABILITIES	1,375,088	20,051,222	1,851,321	23,277,631
FUND BALANCES				
Reserved for debt service	-	27,360	-	27,360
Reserved for capital projects	-	-	4,512,801	4,512,801
Designated				
Maintenance and operation	349,519	-	-	349,519
TOTAL FUND BALANCES	349,519	27,360	4,512,801	4,889,680
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,724,607	\$ 20,078,582	\$ 6,364,122	\$ 28,167,311

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM
(a Component Unit of Ottawa County)

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2004

	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUNDS	TOTAL
REVENUES				
Intragovernmental revenue	\$ -	\$ 2,167,303	\$ 555,802	\$ 2,723,105
Charges for services	7,273,100	-	-	7,273,100
Interest earned	-	124	51,494	51,618
Miscellaneous	866,609	-	-	866,609
TOTAL REVENUES	8,139,709	2,167,427	607,296	10,914,432
EXPENDITURES				
Operations				
Salaries and wages	261,040	-	-	261,040
Operating supplies and expenses	190,016	-	-	190,016
Contractual services	582,615	-	-	582,615
Water purchases	3,135,050	-	-	3,135,050
Sewage treatment charges	3,930,756	-	-	3,930,756
Miscellaneous	134,988	-	-	134,988
Project costs	-	-	4,776,934	4,776,934
Debt service				
Principal	-	1,287,000	-	1,287,000
Interest and agent fees	-	910,265	-	910,265
TOTAL EXPENDITURES	8,234,465	2,197,265	4,776,934	15,208,664
REVENUES OVER (UNDER) EXPENDITURES	(94,756)	(29,838)	(4,169,638)	(4,294,232)
OTHER FINANCING SOURCES				
Proceeds from issuance of bonds	-	-	6,100,000	6,100,000
Transfer out	-	-	(25,067)	(25,067)
Transfer in	-	25,067	-	25,067
TOTAL OTHER FINANCING SOURCES (USES)	-	25,067	6,074,933	6,100,000
NET CHANGE IN FUND BALANCES	(94,756)	(4,771)	1,905,295	1,805,768
FUND BALANCES, BEGINNING OF YEAR	444,275	32,131	2,607,506	3,083,912
FUND BALANCES, END OF YEAR	\$ 349,519	\$ 27,360	\$ 4,512,801	\$ 4,889,680

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM
(a Component Unit of Ottawa County)

SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET

DECEMBER 31, 2004

	Olive Township System	Grand Valley Water and Sewer System	Rush Creek Sewage Disposal System	Park Township Water System
<u>ASSETS</u>				
Cash and temporary investments	\$ 9,589	\$ 133,572	\$ 4,052	\$ 28,188
Accounts receivable	2,617	37,811	191,442	18,603
TOTAL ASSETS	\$ 12,206	\$ 171,383	\$ 195,494	\$ 46,791
<u>LIABILITIES AND FUND BALANCES</u>				
LIABILITIES				
Accounts payable	\$ -	\$ 167,465	\$ 186,460	\$ 34,076
Due to other funds	1,223	-	9,030	12,715
TOTAL LIABILITIES	1,223	167,465	195,490	46,791
FUND BALANCES				
Designated				
Maintenance and operation	10,983	3,918	4	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 12,206	\$ 171,383	\$ 195,494	\$ 46,791

Northwest Ottawa System	Grand Haven Township Water System	Holland Area System	Olive Blendon Water System	Coopersville Water Supply System	Wright Township System	Port Sheldon Township Water System
\$ 72,137	\$ 23,743	\$ 134,070	\$ 106,586	\$ 24,436	\$ 35,770	\$ 1,314
326,860	28,246	99,428	6,289	38,312	-	4,477
<u>\$ 398,997</u>	<u>\$ 51,989</u>	<u>\$ 233,498</u>	<u>\$ 112,875</u>	<u>\$ 62,748</u>	<u>\$ 35,770</u>	<u>\$ 5,791</u>
\$ 385,408	\$ 47,352	\$ 233,491	\$ 44,164	\$ 36,229	\$ -	\$ 4,593
13,536	3,679	-	-	24,176	-	1,198
398,944	51,031	233,491	44,164	60,405	-	5,791
53	958	7	68,711	2,343	35,770	-
<u>\$ 398,997</u>	<u>\$ 51,989</u>	<u>\$ 233,498</u>	<u>\$ 112,875</u>	<u>\$ 62,748</u>	<u>\$ 35,770</u>	<u>\$ 5,791</u>

(Statement continued)

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM
(a Component Unit of Ottawa County)

SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET (CONTINUED)

DECEMBER 31, 2004

	Crockery Township Water System	Zeeland Township Water System	Spring Lake Village Water System	Jamestown Township Sewage System
<u>ASSETS</u>				
Cash and temporary investments	\$ 8,426	\$ 579	\$ 240	\$ 37,407
Accounts receivable	18,471	-	14,079	30,347
TOTAL ASSETS	\$ 26,897	\$ 579	\$ 14,319	\$ 67,754
<u>LIABILITIES AND FUND BALANCES</u>				
LIABILITIES				
Accounts payable	\$ 4,873	\$ -	\$ 14,079	\$ 10,123
Due to other funds	22,020	-	-	33,005
TOTAL LIABILITIES	26,893	-	14,079	43,128
FUND BALANCES				
Designated				
Maintenance and operation	4	579	240	24,626
TOTAL LIABILITIES AND FUND BALANCES	\$ 26,897	\$ 579	\$ 14,319	\$ 67,754

Polkton Township Water System	Robinson Township Water System	West Central Ottawa System	Chester Township Sewage System	Olive Township Sewage System	South West Ottawa County Landfill	Total
\$ - 7,650	\$ - 2,237	\$ 153,151 44,800	\$ 13,216 3,475	\$ 10,000 -	\$ - 52,987	\$ 796,476 928,131
\$ 7,650	\$ 2,237	\$ 197,951	\$ 16,691	\$ 10,000	\$ 52,987	\$ 1,724,607
\$ 957 4,467	\$ 573 1,566	\$ 32,071 -	\$ 2,395 -	\$ - -	\$ 4,389 39,775	\$ 1,208,698 166,390
5,424	2,139	32,071	2,395	-	44,164	1,375,088
2,226	98	165,880	14,296	10,000	8,823	349,519
\$ 7,650	\$ 2,237	\$ 197,951	\$ 16,691	\$ 10,000	\$ 52,987	\$ 1,724,607

(Concluded)

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM
(a Component Unit of Ottawa County)

SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2004

	Olive Township System	Grand Valley Water and Sewer System	Rush Creek Sewage Disposal System	Park Township Water System
REVENUES				
Charges for services				
Water and sewage charges	\$ 23,653	\$ 571,028	\$ 2,018,000	\$ 378,779
Inspection and service fees	48	1,228	19,066	-
Miscellaneous	47	845	15,905	-
TOTAL REVENUES	23,748	573,101	2,052,971	378,779
EXPENDITURES				
Salaries and wages	3,671	-	18,438	-
Operating supplies and expenses	450	555	11,207	-
Contractual services	-	510	5,327	-
Water purchases	8,601	570,914	-	378,780
Sewage treatment charges	-	-	2,018,000	-
Miscellaneous	48	528	-	-
TOTAL EXPENDITURES	12,770	572,507	2,052,972	378,780
NET CHANGE IN FUND BALANCES	10,978	594	(1)	(1)
FUND BALANCES, BEGINNING OF YEAR	5	3,324	5	1
FUND BALANCES, END OF YEAR	\$ 10,983	\$ 3,918	\$ 4	\$ -

Northwest Ottawa System	Grand Haven Township Water System	Holland Area System	Olive Blendon Water System	Coopersville Water Supply System	Wright Township System	Port Sheldon Township Water System
\$ 1,760,950	\$ 354,905	\$ 1,230,726	\$ 237,773	\$ 243,761	\$ -	\$ -
3,139	144	-	4,899	6,351	2,575	-
243,571	(700)	34,635	13,779	1,704	-	10,206
2,007,660	354,349	1,265,361	256,451	251,816	2,575	10,206
3,799	-	-	25,332	6,351	2,977	7,803
31,814	-	-	9,056	1,138	19	-
120,648	510	-	219,004	510	4,785	665
1,147,862	352,787	-	219,331	243,819	-	1,738
630,505	-	1,230,726	-	-	-	-
73,033	144	34,635	435	-	-	-
2,007,661	353,441	1,265,361	473,158	251,818	7,781	10,206
(1)	908	-	(216,707)	(2)	(5,206)	-
54	50	7	285,418	2,345	40,976	-
\$ 53	\$ 958	\$ 7	\$ 68,711	\$ 2,343	\$ 35,770	\$ -

(Statement continued)

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM
(a Component Unit of Ottawa County)

SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCES (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2004

	Crockery Township Water System	Zeeland Township Water System	Spring Lake Village Water System	Jamestown Township Sewage System
REVENUES				
Charges for services				
Water and sewage charges	\$ 26,646	\$ -	\$ 111,841	\$ 98,454
Inspection and service fees	26,631	-	-	81,644
Miscellaneous	22,838	255	-	74,690
TOTAL REVENUES	76,115	255	111,841	254,788
EXPENDITURES				
Salaries and wages	26,631	-	-	80,916
Operating supplies and expenses	6,589	-	-	41,701
Contractual services	6,556	255	-	9,140
Water purchases	26,706	-	111,841	46,929
Sewage treatment charges	-	-	-	51,525
Miscellaneous	9,634	-	-	-
TOTAL EXPENDITURES	76,116	255	111,841	230,211
NET CHANGE IN FUND BALANCES	(1)	-	-	24,577
FUND BALANCES, BEGINNING OF YEAR	5	579	240	49
FUND BALANCES, END OF YEAR	\$ 4	\$ 579	\$ 240	\$ 24,626

Polkton Township Water System	Robinson Township Water System	West Central Ottawa System	Chester Township Sewage System	Olive Township Sewage System	South West Ottawa County Landfill	Total
\$ 4,372	\$ 790	\$ 29,496	\$ -	\$ -	\$ -	\$ 7,091,174
4,135	144	1,125	5,975	-	24,822	181,926
5,223	-	300,619	6,467	-	136,525	866,609
13,730	934	331,240	12,442	-	161,347	8,139,709
3,735	330	49,930	5,975	-	25,152	261,040
614	-	30,926	1,331	-	54,616	190,016
4,130	-	131,518	2,135	-	76,922	582,615
4,366	849	20,527	-	-	-	3,135,050
-	-	-	-	-	-	3,930,756
-	145	16,386	-	-	-	134,988
12,845	1,324	249,287	9,441	-	156,690	8,234,465
885	(390)	81,953	3,001	-	4,657	(94,756)
1,341	488	83,927	11,295	10,000	4,166	444,275
\$ 2,226	\$ 98	\$ 165,880	\$ 14,296	\$ 10,000	\$ 8,823	\$ 349,519

(Concluded)

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM
(a Component Unit of Ottawa County)

DEBT SERVICE FUNDS
COMBINING BALANCE SHEET

DECEMBER 31, 2004

	Park Township Water System	Grand Valley Water and Sewer System	Grand Haven Township Water System	Olive Blendon Water System
<u>ASSETS</u>				
Cash and temporary investments	\$ 2,318	\$ 1,421	\$ 3,973	\$ 17,990
Accounts receivable	-	-	-	1,346
Due from local governments	-	5,259,744	5,699,729	387,366
TOTAL ASSETS	\$ 2,318	\$ 5,261,165	\$ 5,703,702	\$ 406,702
<u>LIABILITIES AND FUND BALANCES</u>				
LIABILITIES				
Deferred revenue	\$ 2,318	\$ 5,259,744	\$ 5,699,729	\$ 387,366
Due to primary government	-	-	-	-
TOTAL LIABILITIES	2,318	5,259,744	5,699,729	387,366
 FUND BALANCES - RESERVED FOR DEBT SERVICE	 -	 1,421	 3,973	 19,336
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,318	\$ 5,261,165	\$ 5,703,702	\$ 406,702

Coopersville Water Supply System	Crockery Township Water System	Spring Lake Village Water System	Jamestown Township Sewage System	Polkton Township System	West Central Ottawa System	Port Sheldon Sewage System	Chester Township Sewage System	Total
\$ 63	\$ 574	\$ 7,807	\$ 140	\$ -	\$ 82,428	\$ 600	\$ 5	\$ 117,319
-	-	-	-	-	-	-	-	1,346
749,937	301,275	-	4,383,432	298,752	1,241,298	970,389	667,995	19,959,917
\$ 750,000	\$ 301,849	\$ 7,807	\$ 4,383,572	\$ 298,752	\$ 1,323,726	\$ 970,989	\$ 668,000	\$ 20,078,582
\$ 749,937	\$ 301,275	\$ 7,807	\$ 4,383,432	\$ 298,752	\$ 1,241,298	\$ 970,389	\$ 667,995	\$ 19,970,042
-	-	-	-	-	81,180	-	-	81,180
749,937	301,275	7,807	4,383,432	298,752	1,322,478	970,389	667,995	20,051,222
63	574	-	140	-	1,248	600	5	27,360
\$ 750,000	\$ 301,849	\$ 7,807	\$ 4,383,572	\$ 298,752	\$ 1,323,726	\$ 970,989	\$ 668,000	\$ 20,078,582

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM
(a Component Unit of Ottawa County)

DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2004

	Park Township Water System	Grand Valley Water and Sewer System	Grand Haven Township Water System	Olive Blenden Water System
REVENUES				
Intragovernmental revenue				
Contract payments	\$ -	\$ 487,100	\$ 811,700	\$ 42,917
Interest income	-	-	-	-
TOTAL REVENUES	-	487,100	811,700	42,917
EXPENDITURES				
Debt service				
Principal	-	355,000	460,000	20,000
Interest	-	131,294	351,700	24,500
TOTAL EXPENDITURES	-	486,294	811,700	44,500
REVENUES OVER (UNDER) EXPENDITURES	-	806	-	(1,583)
OTHER FINANCING SOURCES (USES)				
Transfer in	-	-	-	-
NET CHANGE IN FUND BALANCES	-	806	-	(1,583)
FUND BALANCES, BEGINNING OF YEAR	-	615	3,973	20,919
FUND BALANCES, END OF YEAR	\$ -	\$ 1,421	\$ 3,973	\$ 19,336

Coopersville Water Supply System	Crockery Township Water System	Spring Lake Village Water System	Jamestown Township Sewage System	Polkton Polktonship System	West Central Ottawa system	Port Sheldon Sewage System	Chester Township Sewage System	Total
\$ 69,000 -	\$ 111,188 124	\$ - -	\$ 376,867 -	\$ 27,750 -	\$ 116,351 -	\$ 83,013 -	\$ 41,417 -	\$ 2,167,303 124
69,000	111,312	-	376,867	27,750	116,351	83,013	41,417	2,167,427
30,000	85,000	-	190,000	20,000	85,000	35,000	7,000	1,287,000
39,000	26,338	-	187,005	7,750	60,426	47,838	34,414	910,265
69,000	111,338	-	377,005	27,750	145,426	82,838	41,414	2,197,265
-	(26)	-	(138)	-	(29,075)	175	3	(29,838)
-	-	-	-	-	25,067	-	-	25,067
-	(26)	-	(138)	-	(4,008)	175	3	(4,771)
63	600	-	278	-	5,256	425	2	32,131
\$ 63	\$ 574	\$ -	\$ 140	\$ -	\$ 1,248	\$ 600	\$ 5	\$ 27,360

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM
(a Component Unit of Ottawa County)

CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET

DECEMBER 31, 2004

	Revolving	Grand Valley Water and Sewer System	Wyoming Water Supply System
<u>ASSETS</u>			
Cash and temporary investments	\$ 27,405	\$ 5,371	\$ 1,098,917
Accounts receivable	122,595	-	1,557
TOTAL ASSETS	\$ 150,000	\$ 5,371	\$ 1,100,474
<u>LIABILITIES AND FUND BALANCES</u>			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ 772,955
Deferred revenue	-	-	-
Due to other funds	-	-	-
Due to primary government	150,000	-	-
TOTAL LIABILITIES	150,000	-	772,955
 FUND BALANCES - RESERVED FOR CAPITAL PROJECTS	 -	 5,371	 327,519
TOTAL LIABILITIES AND FUND BALANCES	\$ 150,000	\$ 5,371	\$ 1,100,474

Northwest Ottawa System	Grand Haven Township Water System	Holland Area System	Crockery Township Water System	Zeeland Township Water System	Jamestown Township Sewage System	Polkton Township System
\$ 245,526 240	\$ 860,042 1,256	\$ 126,404 -	\$ 1,491,077 2,206	\$ 1,635,146 25,004	\$ 491,408 683	\$ 1,248 -
<u>\$ 245,766</u>	<u>\$ 861,298</u>	<u>\$ 126,404</u>	<u>\$ 1,493,283</u>	<u>\$ 1,660,150</u>	<u>\$ 492,091</u>	<u>\$ 1,248</u>
\$ 93,047 - - -	\$ - - - -	\$ - - - -	\$ 65,132 - - -	\$ 571,250 - - -	\$ 190,663 - - -	\$ - - - -
93,047	-	-	65,132	571,250	190,663	-
152,719	861,298	126,404	1,428,151	1,088,900	301,428	1,248
<u>\$ 245,766</u>	<u>\$ 861,298</u>	<u>\$ 126,404</u>	<u>\$ 1,493,283</u>	<u>\$ 1,660,150</u>	<u>\$ 492,091</u>	<u>\$ 1,248</u>

(Statement continued)

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM
(a Component Unit of Ottawa County)

CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET (CONTINUED)

DECEMBER 31, 2004

	Chester Township Sewage System	West Central Ottawa	Port Sheldon Township Sewer
	<hr/>		
<u>ASSETS</u>			
Cash and temporary investments	\$ -	\$ 33,555	\$ 128,823
Accounts receivable	-	108	188
	<hr/>		
TOTAL ASSETS	\$ -	\$ 33,663	\$ 129,011
	<hr/>		
	<u>LIABILITIES AND FUND BALANCES</u>		
LIABILITIES			
Accounts payable	\$ -	\$ 6,209	\$ -
Deferred revenue	-	-	-
Due to primary government	-	-	-
	<hr/>		
TOTAL LIABILITIES	-	6,209	-
	<hr/>		
FUND BALANCES - RESERVED FOR CAPITAL PROJECTS	-	27,454	129,011
	<hr/>		
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ 33,663	\$ 129,011
	<hr/>		

South West Ottawa Water	Olive Township Sewage System	Total
\$ 2,065	\$ 63,182	\$ 6,210,169
-	116	153,953
\$ 2,065	\$ 63,298	\$ 6,364,122

\$ -	\$ -	\$ 1,699,256
2,065	-	2,065
-	-	150,000

2,065 - 1,851,321

-	63,298	4,512,801
\$ 2,065	\$ 63,298	\$ 6,364,122

(Concluded)

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM
(a Component Unit of Ottawa County)

CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2004

	Revolving	Grand Valley Water and Sewer System	Wyoming Water Supply System
REVENUES			
Intragovernmental revenue			
Contributions received from local municipalities	\$ 27,618	\$ -	\$ 60,000
Interest income	-	-	10,701
TOTAL REVENUES	27,618	-	70,701
EXPENDITURES			
Project costs	27,618	-	851,665
REVENUES OVER (UNDER) EXPENDITURES	-	-	(780,964)
OTHER FINANCING SOURCES (USES)			
Transfer out	-	-	-
Proceeds from issuance of bonds	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
NET CHANGE IN FUND BALANCES	-	-	(780,964)
FUND BALANCES, BEGINNING OF YEAR	-	5,371	1,108,483
FUND BALANCES, END OF YEAR	\$ -	\$ 5,371	\$ 327,519

Northwest Ottawa System	Grand Haven Township Water System	Holland Area System	Crockery Township Water System	Zeeland Township Water System	Jamestown Township Sewage System	Polkton Township System
\$ -	\$ -	\$ -	\$ 336,000	\$ 2,100	\$ -	\$ -
3,298	8,653	-	3,759	15,519	6,805	-
3,298	8,653	-	339,759	17,619	6,805	-
99,687	-	-	186,608	1,968,719	1,535,431	-
(96,389)	8,653	-	153,151	(1,951,100)	(1,528,626)	-
-	-	-	-	-	-	-
-	-	-	1,275,000	3,040,000	1,785,000	-
-	-	-	1,275,000	3,040,000	1,785,000	-
(96,389)	8,653	-	1,428,151	1,088,900	256,374	-
249,108	852,645	126,404	-	-	45,054	1,248
\$ 152,719	\$ 861,298	\$ 126,404	\$ 1,428,151	\$ 1,088,900	\$ 301,428	\$ 1,248

(Statement continued)

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM

(a Component Unit of Ottawa County)

CAPITAL PROJECTS FUNDS

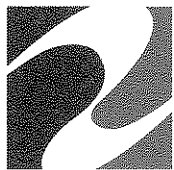
**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (CONTINUED)**

FOR THE YEAR ENDED DECEMBER 31, 2004

	Chester Township Sewage System	West Central Ottawa	Port Sheldon Township Sewer
REVENUES			
Intragovernmental revenue			
Contributions received from local municipalities	\$ -	\$ 62,634	\$ -
Interest Income	-	775	1,296
	-	63,409	1,296
TOTAL REVENUES	-	63,409	1,296
EXPENDITURES			
Project costs	-	45,620	1,136
REVENUES OVER (UNDER) EXPENDITURES	-	17,789	160
OTHER FINANCING SOURCES (USES)			
Transfer out	-	-	-
Proceeds from issuance of bonds	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
NET CHANGE IN FUND BALANCES	-	17,789	160
FUND BALANCES, BEGINNING OF YEAR	-	9,665	128,851
FUND BALANCES, END OF YEAR	\$ -	\$ 27,454	\$ 129,011

South West Ottawa Water	Olive Township Sewage System	Total
\$ 60,450	\$ 7,000	\$ 555,802
-	688	51,494
60,450	7,688	607,296
60,450	-	4,776,934
-	7,688	(4,169,638)
-	(25,067)	(25,067)
-	-	6,100,000
-	(25,067)	6,074,933
-	(17,379)	1,905,295
-	80,677	2,607,506
\$ -	\$ 63,298	\$ 4,512,801

(Concluded)



REHMANN ROBSON

Certified Public Accountants

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

May 4, 2005

Members of the Board of
County Road Commissioners
County of Ottawa, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ottawa County Public Utilities System, as of and for the year ended December 31, 2004, which collectively comprise the Ottawa County Public Utilities System's basic financial statements and have issued our report thereon dated May 4, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Ottawa County Public Utilities System's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Ottawa County Public Utilities System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the board members, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.